

110TH CONGRESS  
1ST SESSION

# S. 985

To establish a pilot program to provide low interest loans to nonprofit, community-based lending intermediaries, to provide midsize loans to small business concerns, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

MARCH 26, 2007

Mr. LEVIN introduced the following bill; which was read twice and referred to the Committee on Small Business and Entrepreneurship

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## A BILL

To establish a pilot program to provide low interest loans to nonprofit, community-based lending intermediaries, to provide midsize loans to small business concerns, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Small Business Inter-  
5       mediary Lending Pilot Program Act of 2007”.

6       **SEC. 2. FINDINGS.**

7       Congress finds the following:

1           (1) Small and emerging businesses, particularly  
2           startups and businesses that lack sufficient or con-  
3           ventional collateral, continue to face barriers access-  
4           ing midsize loans in amounts between \$35,000 and  
5           \$200,000, with affordable terms and conditions.

6           (2) Consolidation in the banking industry has  
7           resulted in a decrease in the number of small, locally  
8           controlled banks with not more than \$100,000,000  
9           in assets and has changed the method by which  
10          banks make small business credit decisions with—

11                (A) credit scoring techniques replacing re-  
12                lationship-based lending, which often works to  
13                the disadvantage of small or startup businesses  
14                that do not conform with a bank's standardized  
15                credit formulas; and

16                (B) less flexible terms and conditions,  
17                which are often necessary for small and emerg-  
18                ing businesses.

19          (3) In the environment described in paragraphs  
20          (1) and (2), nonprofit intermediary lenders, includ-  
21          ing community development corporations, provide fi-  
22          nancial resources that supplement the small business  
23          lending and investments of a bank by—

24                (A) providing riskier, up front, or subordi-  
25                nated capital;

1 (B) offering flexible terms and under-  
2 writing procedures; and

3 (C) providing technical assistance to busi-  
4 nesses in order to reduce the transaction costs  
5 and risk exposure of banks.

6 (4) Several Federal programs, including the  
7 Microloan Program under section 7(m) of the Small  
8 Business Act (15 U.S.C. 636(m)) and the Inter-  
9 mediary Relending Program of the Department of  
10 Agriculture, have demonstrated the effectiveness of  
11 working through nonprofit intermediaries to address  
12 the needs of small business concerns that are unable  
13 to access capital through conventional sources.

14 (5) More than 1,000 nonprofit intermediary  
15 lenders in the United States are—

16 (A) successfully providing financial and  
17 technical assistance to small and emerging busi-  
18 nesses;

19 (B) working with banks and other lenders  
20 to leverage additional capital for their business  
21 borrowers; and

22 (C) creating employment opportunities for  
23 low income individuals through their lending  
24 and business development activities.

1 **SEC. 3. SMALL BUSINESS INTERMEDIARY LENDING PILOT**  
 2 **PROGRAM.**

3 (a) IN GENERAL.—Section 7 of the Small Business  
 4 Act (15 U.S.C. 636) is amended by inserting after sub-  
 5 section (k) the following:

6 “(l) SMALL BUSINESS INTERMEDIARY LENDING  
 7 PROGRAM.—

8 “(1) DEFINITIONS.—In this subsection—

9 “(A) the term ‘intermediary’ means a pri-  
 10 vate, nonprofit entity that seeks to borrow, or  
 11 has borrowed, funds from the Administrator to  
 12 provide midsize loans to small business con-  
 13 cerns under this subsection, including—

14 “(i) a private, nonprofit community  
 15 development corporation;

16 “(ii) a consortium of private, non-  
 17 profit organizations or nonprofit commu-  
 18 nity development corporations;

19 “(iii) a quasi-governmental economic  
 20 development entity (such as a planning  
 21 and development district), other than a  
 22 State, county, or municipal government;  
 23 and

24 “(iv) an agency of or nonprofit entity  
 25 established by a Native American Tribal  
 26 Government;

1           “(B) the term ‘midsize loan’ means a fixed  
2           rate loan of not less than \$35,000 and not  
3           more than \$200,000, made by an intermediary  
4           to a startup, newly established, or growing  
5           small business concern; and

6           “(C) the term ‘Program’ means the 3-year  
7           small business intermediary lending pilot pro-  
8           gram established under paragraph (2).

9           “(2) ESTABLISHMENT.—There is established a  
10          3-year small business intermediary lending pilot pro-  
11          gram, under which the Administrator may provide  
12          direct loans to eligible intermediaries, for the pur-  
13          pose of making fixed interest rate midsize loans to  
14          startup, newly established, and growing small busi-  
15          ness concerns.

16          “(3) PURPOSES.—The purposes of the Program  
17          are—

18               “(A) to assist small business concerns in  
19               those areas suffering from a lack of credit due  
20               to poor economic conditions;

21               “(B) to create employment opportunities  
22               for low income individuals;

23               “(C) to establish a midsize loan program  
24               under which the Administrator may provide  
25               loans to eligible intermediaries to enable such

1 intermediaries to provide midsize loans, particu-  
2 larly loans in amounts averaging not more than  
3 \$150,000, to startup, newly established, or  
4 growing small business concerns for working  
5 capital or the acquisition of materials, supplies,  
6 or equipment;

7 “(D) to test the effectiveness of inter-  
8 mediaries—

9 “(i) as a delivery system for a midsize  
10 loan program; and

11 “(ii) in addressing the credit needs of  
12 small businesses and leveraging other  
13 sources of credit; and

14 “(E) to determine the advisability and fea-  
15 sibility of implementing a midsize loan program  
16 nationwide.

17 “(4) ELIGIBILITY FOR PARTICIPATION.—An  
18 intermediary shall be eligible to receive loans under  
19 the Program if that intermediary has not less than  
20 1 year of experience making loans to startup, newly  
21 established, or growing small business concerns.

22 “(5) LOANS TO INTERMEDIARIES.—

23 “(A) APPLICATION.—Each intermediary  
24 desiring a loan under this subsection shall sub-

mit an application to the Administrator that describes—

“(i) the type of small business concerns to be assisted;

“(ii) the size and range of loans to be made;

“(iii) the geographic area to be served and its economic, poverty, and unemployment characteristics;

“(iv) the status of small business concerns in the area to be served and an analysis of the availability of credit; and

“(v) the qualifications of the applicant to carry out this subsection.

“(B) LOAN LIMITS.—Notwithstanding subsection (a)(3), no loan may be made to an intermediary under this subsection if the total amount outstanding and committed to the intermediary from the business loan and investment fund established by this Act would, as a result of such loan, exceed \$1,000,000 during the participation of the intermediary in the Program.

1           “(C) LOAN DURATION.—Loans made by  
2           the Administrator under this subsection shall be  
3           for a maximum term of 20 years.

4           “(D) APPLICABLE INTEREST RATES.—  
5           Loans made by the Administrator to an inter-  
6           mediary under the Program shall bear an an-  
7           nual interest rate equal to 1.00 percent.

8           “(E) FEES; COLLATERAL.—The Adminis-  
9           trator may not charge any fees or require col-  
10          lateral with respect to any loan made to an  
11          intermediary under this subsection.

12          “(F) LEVERAGE.—Any loan to a small  
13          business concern under this subsection shall not  
14          exceed 75 percent of the total cost of the  
15          project funded by such loan, with the remaining  
16          funds being leveraged from other sources, in-  
17          cluding—

18                 “(i) banks or credit unions;

19                 “(ii) community development financial  
20                 institutions; and

21                 “(iii) other sources with funds avail-  
22                 able to the intermediary lender.

23          “(G) DELAYED PAYMENTS.—The Adminis-  
24          trator shall not require the repayment of prin-  
25          cipal or interest on a loan made to an inter-

1           mediary under the Program during the 2-year  
2           period beginning on the date of the initial dis-  
3           bursement of funds under that loan.

4           “(6) PROGRAM FUNDING FOR MIDSIZE  
5           LOANS.—

6                   “(A) NUMBER OF PARTICIPANTS.—Under  
7           the Program, the Administrator may provide  
8           loans, on a competitive basis, to not more than  
9           20 intermediaries.

10                   “(B) EQUITABLE DISTRIBUTION OF INTER-  
11           MEDIARIES.—The Administrator shall select  
12           and provide funding under the Program to such  
13           intermediaries as will ensure geographic diver-  
14           sity and representation of urban and rural com-  
15           munities.

16           “(7) REPORT TO CONGRESS.—

17                   “(A) INITIAL REPORT.—Not later than 30  
18           months after the date of enactment of the  
19           Small Business Intermediary Lending Pilot  
20           Program Act of 2007, the Administrator shall  
21           submit a report containing an evaluation of the  
22           effectiveness of the Program to—

23                           “(i) the Committee on Small Business  
24                           and Entrepreneurship of the Senate; and

1 “(ii) the Committee on Small Busi-  
2 ness of the House of Representatives.

3 “(B) ANNUAL REPORT.—Not later than 12  
4 months after the date of enactment of the  
5 Small Business Intermediary Lending Pilot  
6 Program Act of 2007, and annually thereafter,  
7 the Administrator shall submit a report con-  
8 taining an evaluation of the effectiveness of the  
9 Program to the Committees described in sub-  
10 paragraph (A).

11 “(C) CONTENTS.—The reports submitted  
12 under subparagraphs (A) and (B) shall in-  
13 clude—

14 “(i) the number and location of the  
15 intermediaries receiving funds to provide  
16 midsize loans under this subsection;

17 “(ii) the amounts of each loan to an  
18 intermediary under this subsection;

19 “(iii) the number and amount of  
20 midsize loans made by intermediaries to  
21 small business concerns under this sub-  
22 section;

23 “(iv) the repayment history of each  
24 intermediary receiving a loan under this  
25 subsection;

1 “(v) a description of the loan portfolio  
2 of each intermediary receiving a loan under  
3 this subsection, including the extent to  
4 which it provides midsize loans to small  
5 business concerns in rural and economi-  
6 cally depressed areas;

7 “(vi) an estimate of the number of low  
8 income individuals who have been em-  
9 ployed as a direct result of the Program;  
10 and

11 “(vii) any recommendations for legis-  
12 lative changes that would improve the op-  
13 eration of the Program.”.

14 (b) RULEMAKING AUTHORITY.—Not later than 180  
15 days after the date of enactment of this Act, the Adminis-  
16 trator shall issue regulations to carry out section 7(l) of  
17 the Small Business Act, as added by subsection (a).

18 (c) AUTHORIZATION OF APPROPRIATIONS.—

19 (1) IN GENERAL.—There are authorized to be  
20 appropriated to the Small Business Administration  
21 such sums as may be necessary for each of the fiscal  
22 years 2008 through 2010 to provide \$20,000,000 in  
23 loans under section 7(l) of the Small Business Act,  
24 as added by subsection (a).

1           (2) AVAILABILITY.—Any amounts appropriated  
2       under paragraph (1) shall remain available until ex-  
3       pended.

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